

Message Text

LIMITED OFFICIAL USE

PAGE 01 LIMA 08781 01 OF 02 272142Z

64

ACTION TRSE-00

INFO OCT-01 ARA-06 ISO-00 SP-02 USIA-06 AID-05 EB-07

NSC-05 CIEP-01 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 INT-05 AGR-05 AGRE-00 ITC-01 OES-06 FEA-01

/092 W

----- 021267

R 271640Z SEP 76

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 1973

LIMITED OFFICIAL USE SECTION 1 OF 2 LIMA 8781

E.O. 11652: N/A

TAGS: EFIN, PE

SUBJECT: PERU'S BALANCE OF PAYMENT AND DEBT PROSPECTS

REF: STATE 223505

1. BEGIN SUMMARY: PERU'S BALANCE OF PAYMENTS FOR 1974-77 AND RELATED ASSUMPTIONS ARE PRESENTED IN FOLLOWING PARAGRAPHS. THESE B/P ESTIMATES FOR 1974 AND 1975 AND PROJECTIONS FOR 1976 AND 1977 WERE PREPARED IN CENTRAL RESERVE BANK OF PERU FOR PERU'S RECENT NEGOTIATIONS WITH PRIVATE BANKS IN U.S., CANADA, EUROPE, AND JAPAN. GOP'S B/P PRESENTATIONS UTILIZED HEREIN CONSTITUTE THE BEST WORK DONE TO DATE BY GOP ON PERU'S B/P. END SUMMARY.

2. THE MOST RECENT GOP ESTIMATES B/P FOR 1974 AND 1975 AVAILABLE TO US WERE PREPARED IN MARCH 1976 AND THE MOST RECENT GOP PROJECTION FOR 1976 AND 1977 WERE PREPARED IN JUNE 1976. THEY WERE PREPARED BY GOP AS PART OF EXERCISE TO OBTAIN \$400 MILLION CREDIT PACKAGE FROM INTERNATIONAL PRIVATE BANKS. ALTHOUGH CERTAIN ELEMENTS OF GOP PROJECTIONS FOR

LIMITED OFFICIAL USE

PAGE 02 LIMA 08781 01 OF 02 272142Z

1976 AND 1977 MAY BE SLANTED OPTIMISTICALLY, PROJECTIONS

CONTAIN SUBSTANTIAL DETAIL, PARTICULARLY IN REGARD TO EXPORTS. OVERALL COMMODITY EXPORT EARNINGS IN 1976 AND 1977 DEPEND ON COMMODITY VOLUMES WHICH ARE, AT BEST, DIFFICULT TO PROJECT, E.G., FISHMEAL AND START-UP DATES FOR THE CUAJONE COPPER MINE AND NORTHERN PERU OIL PIPELINE. GOP B/P DATA ARE AS FOLLOWS IN MILLIONS OF U.S. DOLLARS. ALL DATA SUBJECT TO FUTURE REVISION.

	1974	1975	1976	1977
EXPORTS, FOB	1,505	1,378	1,586	2,313
IMPORTS	1,908	2,491	2,197	2,205
TRADE BALANCE	-403	-1,113	-611	108
NET SERVICES AND				
TRANSFERS	-322	-455	-433	-517
BALANCE ON				
CURRENT ACCOUNT	-725	-1,568	-1,044	-409
DIRECT INVESTMENT A/	133	316	236	94
PRIVATE LOANS	-7	-13	4	5
UTILIZATION	(25)	(49)	(33)	(36)
AMORTIZATION	(32)	(36)	(29)	(31)
OFFICIAL LOANS B/	697	835	517	706
UTILIZATION	(1,035)	(1,117)	(790)C/	(1,114)
AMORTIZATION	(338)	(282)	(273)	(408)
OTHERS	-78	0	1	12
UTILIZATION	(58)	(44)	(21)	(22)
AMORTIZATION	(136)	(44)	(20)	(10)
NET LONG-TERM CAPITAL	745	1,138	758	817
NET BASIC BALANCE	20	-430	-286	408
SHORT TERM CAPITAL AND				
ERRORS AND OMISSIONS	262	-147	-484	-
CHANGE IN NET INTER-				
NATIONAL RESERVE				
POSITION (-INDICATES				
INCREASE)	-282	PLUS	PLUS	-
	577	770		

A/ TO PRIVATE SECTOR.

B/ TO PUBLIC SECTOR.

C/ DOES NOT INCLUDE B/P SUPPORT LOANS NEGOTIATED IN 1976.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 LIMA 08781 01 OF 02 272142Z

3. PERU'S NET INTERNATIONAL RESERVE POSITION WAS \$693

MILLION AT END OF 1974 AND \$116 MILLION AT END OF 1975.

HOWEVER, PERU'S 1976 YEAR-END NET INTERNATIONAL RESERVE

POSITION WILL NOT BE NEGATIVE \$654 MILLION. INASMUCH AS \$400

MILLION CREDIT PACKAGE INVOLVES REPAYMENT TERMS IN EXCESS

OF ONE YEAR, PROJECTED LOSS \$770 MILLION WILL BE

OFFSET TO A LARGE EXTENT. WE ASSUME A NET RESERVE POSITION AT YEAR-END 1976 WILL APPROXIMATE NEGATIVE \$200 MILLION THE GOP PROJECTION FOR 1977 STATES NO CHANGE IN NET RESERVE POSITION. FUNDAMENTALLY, OUR DEBTS RE GOP PROJECTIONS EXPORTS AND IMPORTS SUGGEST THAT 1977 TRADE BALANCE MAY BE NEGATIVE UP TO \$300 MILLION. HOWEVER, THE GOP'S NEW MINI-DEVALUATION PROGRAM MAY INDUCE SUBSTANTIAL INFLOW OF SHORT-TERM CAPITAL AS FEARS OF NEW SIZABLE DEVALUATION SUBSIDE AND PERUVIAN ENTERPRISES OBTAIN SHORT-TERM CREDITS ABROAD (ALS FACILITATED BY RESTORATION OF PERU'S EXTERNAL CREDIT WORTHINESS). THE COMBINED EFFECT OF THE WORSENE TRADE BALANCE AND INFLOW OF SHORT-TERM CAPITAL MAY BE OFFSETTING, I.E., YIELDING LITTLE CHANGE IN PERU'S NET RESERVE POSITION IN 1977.

4. CRITICAL ASSUMPTIONS REGARDING EXPORT EARNINGS IN GOP B/P ESTIMATE INVOLVE BOTH VOLUMES AND PRICES OF SEVERAL OF PERU'S PRINCIPAL COMMODITY EXPORTS, I.E., FISHMEAL, COTTON, COPPER, IRON ORE, SILVER, AND ZINC. FOB EXPORT VALUES FOR PERU'S PRINCIPAL COMMODITY EXPORTS EXPECTED FOR 1976 ARE AS FOLLOWS (IN MILLIONS OF DOLLARS): FISHMEAL (184), FISH OIL (15), OTHER FISH PRODUCTS (39), COTTON (86.7), SUGAR (130.4), COFFEE (95.6), WOOL (9.7), COPPER (325.5), IRON ORE (71), SILVER (-58.2) LEAD (62.2), ZINC (181.2), PETROLEUM AND DERIVATIVES (53.4), AND OTHER PRODUCTS (174.5). EXPORT VOLUMES REALIZED IN 1974 AND 1975 AND EXPECTED IN 1976 AND 1977 ARE AS FOLLOWS IN THOUSANDS OF METRIC TONS (OR THOUSANDS OF UNITS):

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 LIMA 08781 02 OF 02 272115Z

64

ACTION TRSE-00

INFO OCT-01 ARA-06 ISO-00 SP-02 USIA-06 AID-05 EB-07

NSC-05 CIEP-01 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 INT-05 AGR-05 AGRE-00 ITC-01 OES-06 FEA-01

/092 W

----- 021026

R 271640Z SEP 76
 FM AMEMBASSY LIMA
 TO SECSTATE WASHDC 1974

LIMITED OFFICIAL USE SECTION 2 OF 2 LIMA 8781

	1974	1975	1976	1977
FISHMEAL	629	750	800	1,100
COTTON (QUINTALS)	1,034	936	1,020	1,327
SUGAR	462	390	400	370
COFFEE	27	40	44	51
COPPER	200	177	242	448
IRON ORE (LONG TONS)	9,731	5,104	6,000	8,400
SILVER (TROY OUNCES)	34,834	36,650	38,148	42,293
LEAD	148	131	166	197
ZINC	422	390	419	443

PRICE ASSUMPTIONS UTILIZED IN GOP'S ESTIMATES AND
 PROJECTIONS ARE AS FOLLOWS:

	1974	1975	1976	1977
FISHMEAL(US\$PER MT)	321	210	230	235
COTTON (US\$ PER QUINTAL)	92.3	70.7	85	88
SUGAR (US\$ PER POUND)	.1963	.3125	.15	.19
COFFEE (US\$ PER POUND)	.5931	.5405	1.00	.74
COPPER (US\$ PER POUND)	.6831	.4959	.6098	.65
IRON				
(US\$ PER LONG TON)	7.71	10.55	12.00	14.40

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LIMA 08781 02 OF 02 272115Z

SILVER (US\$ PER				
TROY OUNCE)	393.13	425.59	414.72	509.85
LEAD (US\$ PER POUND)	.1763	.1503	.1695	.1888
ZINC (US\$ PER POUND)	.1616	.1809	.1963	.2159

THE GOP EXPORT VOLUME ASSUMPTION, WHICH BY ITS NATURE, APPEARS MOST OPEN TO DOUBT IS FISHMEAL PRODUCTION AT 1,100,000 MT IN 1977. ALTHOUGH WE DO NOT HAVE DEEP RESERVATIONS REGARDING OTHER ESTIMATED EXPORT VOLUMES FOR 1977, COTTON AND COPPER VOLUMES COULD BE TRIMMED SOMEWHAT IN A LESS OPTIMISTIC PROJECTION. PRICE ASSUMPTIONS PRESENTED IN GOP PROJECTION APPEAR TO BE REALISTIC. HOWEVER, THE DEPARTMENT MAY HAVE ACCESS TO MORE RECENT OR DIFFERENT PRICE PROJECTIONS FOR 1977. PLEASE COMMUNICATE TO EMBASSY PRICES FOR 1976 AND 1977 FOR WHICH YOUR ASSUMPTIONS DIFFER GREATLY FROM THOSE STATED ABOVE. PLEASE NOTE, GOP'S ASSUMED PRICES FOR COPPER, LEAD, AND ZINC COMBINE VARIOUS GRADES AND TYPES. RATIOS USED BY US IN PART TO ACCOUNT FOR THIS TREATMENT ARE AS FOLLOWS: .88 FOR COPPER, .97 FOR SILVER,

.71 FOR LEAD, AND .45 FOR ZINC.

5. THE GOP'S IMPORT PROJECTIONS FOR 1976 AND 1977 IMPLY SUBSTANTIAL REDUCTION IN IMPORTS FROM LEVEL OBTAINED 1975. ON JUNE 25, 1976, THE PERUVIAN SOL WAS DEVALUED FROM 45 SOLES PER U.S. DOLLAR TO 65 SOLES PER U.S. DOLLAR. OTHER SIGNIFICANT MEASURES ADOPTED IN JUNE TO REDUCE COMMODITY IMPORTS INCLUDED INCREASING EFFECTIVE TARIFFS ON IMPORTED CAPITAL GOODS, A LIST OF PERMITTED IMPORTS, AND A NEW IMPORT LICENSING SYSTEM (SEE LIMA'S 5688). THE MAJOR QUESTION WE HAVE IN REGARD TO 1976 COMMODITY IMPORTS IS WHETHER THE \$294 MILLION DECLINE FROM THE 1975 LEVEL WILL BE REALIZED. GOP PROJECTION FOR 1977 INCLUDES A DECLINE IN IMPORTS OF FUELS, LUBRICANTS, AND RELATED PRODUCTS FROM \$260 MILLION LEVEL OF 1976 TO \$101 MILLION IN 1977. THE PLACING IN SERVICE OF THE NORTHERN PERU PIPELINE WILL NOT BE AS EARLY IN 1977 AS ASSUMED IN GOP PROJECTION. INCREASE IN POSTED INTERNATIONAL PRICE OF OIL OF EIGHT PERCENT WOULD INCREASE PERU'S IMPORT BILL BY LESS THAN \$20 MILLION UNDER MOST ASSUMPTIONS RE LEVEL OF PETROLEUM LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 LIMA 08781 02 OF 02 272115Z

IMPORTS. HOWEVER, THE B/P SAVING THROUGH DOMESTIC REPLACEMENT OF IMPORTED PETROLEUM IS LIKELY TO BE CLOSER TO \$100 MILLION THAN \$159 MILLION.

6. GOP CONTINUES A POLICY OF CONFIDENTIALITY IN REGARD TO ITS EXTERNAL DEBT DATA. ESTIMATES AVAILABLE TO US ON PERU'S DISBURSED PUBLIC SECTOR EXTERNAL DEBT AS FOLLOWS IN MILLIONS OF U.S. DOLLARS AT END OF YEAR:

1974 2182

1975 3066

1976 4023

1977 4579

THESE DATA ARE BASED ON CREDITS CONTRACTED TO MARCH 15, 1975, AND PROJECTED DISBURSEMENTS OF FUTURE LOANS. ACCORDING TO GOP PRIVATE LONG-TERM DEBT AT END OF 1975 APPROXIMATED 220 MILLION DOLLARS. THE GOP'S PROJECTION OF PUBLIC SECTOR DEBT SERVICE FOR 1976-1980 IS AS FOLLOWS IN MILLIONS OF U.S. DOLLARS:

1976 507

1977 699

1978 941

1979 1,056

1980 1,486

ALL DATA ARE FOR DEBT OF OCER ONE-YEAR TERM, AND THE ESTIMATE WAS PREPARED IN JUNE 1976. THE TERM STRUCTURE OF PERU'S EXTERNAL DEBT IS UNDOUBTEDLY UNFAVORABLE. EVEN

THOUGH THE GOP HAS LARGELY SUCCEEDED IN SOLVING THE
SEVERE B/P CRISIS OF 1976, THE MAGNITUDE OF PERU'S
EXTERNAL DEBT AND ITS UNFAVORABLE TERM STRUCTURE WILL
PROBABLY REQUIRE THE CONTINUED PATIENCE OF CREDITORS.
REDUCING THE UNFAVORABLE B/P IMPACT OF PERU'S EXTERNAL
DEBT WILL REQUIRE A CAREFUL AND CONSCIOUS EFFORT BY THE
GOP TO IMPROVE ITS TERM STRUCTURE. DEAN

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BALANCE OF PAYMENTS, DEBT REPAYMENTS, TRADE DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 27 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: powellba
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976LIMA08781
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760364-1099
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760917/aaaaaoit.tel
Line Count: 284
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 STATE 223505
Review Action: RELEASED, APPROVED
Review Authority: powellba
Review Comment: n/a
Review Content Flags:
Review Date: 21 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 JUL 2004 by saccheem>; APPROVED <28 OCT 2004 by powellba>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PERU'S BALANCE OF PAYMENT AND DEBT PROSPECTS
TAGS: EFIN, ETRD, PE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006